

CRYSTAL HOPPER ASSOCIATES

585 Old Stamford Road
New Canaan, Connecticut 06840

203-966-7555
Fax 203-966-1420

9-299A008

October 19, 1989.

Secretary,
Interstate Commerce Commission
Washington 25, D.C.

16580
RECORDED TO FILED 1025

OCT 26 1989 - 11 15 AM

Dear Sir:

INTERSTATE COMMERCE COMMISSION

We enclose herewith for filing with the Commission, pursuant to Section 20c of the Interstate Commerce Act and the regulations thereunder, four (4) original counterparts of the Security Agreement dated September 25, 1989.

This Security Agreement is between the following parties:

- (a) Mortgagor: Crystal Hopper Associates
209 Huron Avenue
Port Huron, Michigan 48060
- (b) Mortgagee: Allen L. Stevens
585 Old Stamford Road
New Canaan, CT 06840

Oct 23 11 09 AM '89
RECORDED TO FILED 1025

The equipment covered by the above document is 49 70 ton XM Box Cars numbered QC 76550 to 76598, inclusive.

No prior recordation of the above document has been made.

We request that one counterpart bearing the Commission's recordation data be returned to the undersigned. Our check in the sum of \$15.00 to the Commission is enclosed.

Sincerely,

CRYSTAL HOPPER ASSOCIATES
STEVENS INDUSTRIES, INC.,
General Partner



Allen L. Stevens,
President

Enclosures

Interstate Commerce Commission

Washington, D.C. 20423

10/26/89

OFFICE OF THE SECRETARY

Mr. Allen L. Stevens
Crystal Hopper Associates
585 Old Stamford Road
New Canaan, Connecticut 06840

Dear Sirs:

The enclosed document(s) was recorded pursuant to the provisions of Section 11303 of the Interstate Commerce Act, 49 U.S.C. 11303, on 10/26/89 at 11:15AM , and assigned recordation number(s). 16580.

Sincerely yours,



Noreta R. McGee
Secretary

Enclosure(s)

OCT 26 1989 -11 12 AM

SECURITY AGREEMENT INTERSTATE COMMERCE COMMISSION

THIS SECURITY AGREEMENT (Herein sometimes called "this Agreement"), dated as of September 25, 1989, is between Crystal Hopper Associates, a Michigan limited partnership (herein called the "Company"), having its office at 209 Huron Avenue, Port Huron, Michigan 48060, and Allen L. Stevens as agent for beneficial holders ("ALS") whose address is 585 Old Stamford Road, New Canaan, CT. 06840.

W I T N E S S E T H:

WHEREAS, ALS has loaned \$605,000.00 to the Company, which loan is evidenced by a promissory note from the Company to ALS with the same date as the date of this Agreement (the "Note"); and

WHEREAS, the Company has duly authorized the execution and delivery of this Agreement:

NOW, THEREFORE, for good and valuable consideration, the receipt of which is hereby acknowledged, the Company agrees with ALS as follows:

1. DEFINITIONS. When used herein the following terms shall have the following meanings:

The term "Collateral" shall mean all property and rights in which a security interest is granted hereunder.

The term "Default Event" shall mean any event as defined in Paragraph 4.

The term "Equipment" shall mean the railroad cars owned by Company and described on Schedule I hereto, together with all accessories, equipment, parts and appurtenances appertaining or attached to any of such Equipment, whether now owned or hereafter acquired, and all substitutions, renewals and replacements of, and additions, improvements, accessories and accumulations to, any and all of such Equipment.

The term "General Partner" shall mean Stevens Industries, Inc., a Delaware corporation.

2. GRANT OF SECURITY INTEREST. As security for payment and performance of the Note, the Company hereby mortgages, transfers and assigns to ALS, and grants to ALS a continuing security interest in and to, all right, title and interest whatsoever of Company in and to: the Equipment; all chattel

paper and other investments and all accounts receivable, whether now or hereafter existing or acquired, arising from the lease by the Company, as lessor, of or the sale by the Company of, the Equipment; all rental due or to become due in respect of any Equipment; all other property of Company the possession of which may at any time now or hereafter be delivered to or for the account of ALS as security for the payment and performance of the Note; and all proceeds (including, without limitation, insurance proceeds) of any of the foregoing.

3. WARRANTIES AND AGREEMENTS OF COMPANY.

(a) The Company is the owner and is lawfully seized and possessed of the Equipment and has the right, full power and authority to mortgage, transfer and assign the same to ALS. The Equipment is and will be free from any and all liens and encumbrances prior to, on a parity with, or junior to the lien of this Agreement and the Company will warrant and defend the title thereto and the interest of ALS therein against all claims and demands whatsoever. The Company has leased the Equipment to Canadian Pacific Limited by a lease dated Dec. 31, 1985 for a term of ten years. Canadian Pacific Limited has certain rights to the use of the Equipment as contained in that lease.

(b) The Company, at its own expense, will do, execute, acknowledge, and deliver all and every further acts, deeds, conveyances, transfers and assurances necessary or proper for the better assuring, conveying, assigning and confirming unto ALS all of the Collateral, whether now owned or hereafter acquired.

(c) The Company, so long as no Default Event shall have occurred under this Agreement and be continuing and subject to all the terms and conditions of this Agreement, shall be entitled to the possession of the Equipment and the use thereof. The Company shall use the Equipment only in the manner for which it was designed and intended and so as to subject it only to ordinary wear and tear. The Company shall, at its own cost and expense, maintain and keep the Equipment in good order, condition and repair, ordinary wear and tear excepted, suitable for use in interchange (if and to the extent permitted by the Interchange Rules or supplements thereto of the Association of American Railroads). The Company shall not modify any Equipment without the prior written authority and approval of ALS, which authority and approval shall not be unreasonably withheld.

(d) Except as provided herein or with the prior written consent of ALS, the Company will not sell, loan, pledge, mortgage, assign or otherwise dispose of, or create or suffer to be created any levies, liens or encumbrances on, or permit any

bailment or other legal or equitable interest in, any of the Equipment or any interest therein; and the Company will from time to time cause to be paid all liens, taxes, assessments and governmental charges levied, assessed or imposed upon any of the Equipment or any interest therein; provided, however, that nothing herein contained shall be deemed to require any lien, tax, assessment, charge, claim or demand to be paid or discharged prior to the due date thereof.

4. DEFAULT. The term "Event of Default" shall mean the occurrence of any one of the following events:

(a) Failure of the Company to reduce the loan amount to a level required by the note, and such failure continuing for a period of 30 calendar days.

(b) Failure of the Company to make any required interest payment, and such failure continuing for a period of 30 calendar days.

(c) Failure of the Company to reduce the loan amount outstanding so that the appraised value is greater than 140% of the loan balance within 90 days of the date of an appraisal. Such appraisal shall be made upon the request of ALS no more often than 12 months from the latest previous appraisal, and at the expense of the Company, to determine the fair market value. If the Company and ALS cannot agree on a mutually satisfactory appraiser, each shall appoint one, and the agreed value shall be the average of the two appraisals.

Whenever a Default Event shall be existing, ALS may exercise any one or more or all, and in any order, of the remedies hereinafter set forth, it being expressly understood that no remedy herein conferred is intended to be exclusive of any other remedy or remedies, but each and every remedy shall be cumulative and shall be in addition to every other remedy given herein or now or hereafter existing at law or in equity or by statute:

(a) ALS may, by notice in writing to the Company, declare all principal and accrued and unpaid interest under the Note to be immediately due and payable, and thereupon all such principal and accrued by unpaid interest shall be and become immediately due and payable.

(b) ALS personally or by agents or attorneys, shall have the right (subject to compliance with any applicable

mandatory legal requirements) to take immediate possession of the Equipment and other Collateral, or any portion thereof, and for that purpose may pursue the same wherever it may be found, and may enter any of the premises of the Company, with or without notice, demand, process of law or legal procedure, and search for, take possession of, remove, keep and store the same, or use and operate the same until sold. It is understood, without limiting the foregoing, that ALS may, and is hereby given the right and authority to, keep and store said Equipment and other Collateral, or any part thereof, on the premises of the Company, and that ALS shall not thereby be deemed to have surrendered, or to have failed to take, possession of such Equipment and other Collateral.

(c) ALS may, if at the time such action may be lawful and always subject to compliance with any mandatory legal requirements, either with or without taking possession and either before or after taking possession, and without instituting any legal proceedings whatsoever, and having first given notice of such sale by registered mail to the Company once at least ten days prior to the date of such sale, and having given any other notice which may be required by law, sell and dispose of said Equipment and the other Collateral, or any part thereof, at public auction or private sale to the highest bidder, at any place, whether or not it be the location of any of the Equipment or other Collateral, or any part thereof, designated in the notice above referred to, in one lot as an entirety or in separate lots, and either for cash or on credit and on such terms as ALS may determine. Any such sale or sales may be adjourned from time to time by announcement at the time and place appointed for such sale or sales, without further published notice; and ALS may bid and become the purchaser at any such sale. In case of an Event of Default, as described in paragraph 4, title shall pass to the participants unless 60% in interest of the outstanding principal decide to the contrary within 30 days of such event.

(d) ALS may proceed to protect and enforce this Agreement by suit or suits or proceedings in equity, at law or in pending bankruptcy, and whether for the specific performance of any covenant or agreement herein contained or in execution or aid of any power herein granted, or for foreclosure hereunder, or for the appointment of a receiver or receivers for the Equipment and other Collateral, or any part thereof, or for the recovery of judgment for the indebtedness hereby secured, or for the enforcement of any other legal or equitable remedy available under the applicable law. The Company agrees that in furtherance of this subparagraph and this contract it will enter a confess judgment in any Court of appropriate jurisdiction when so

requested by ALS or the participants.

(e) ALS may proceed to exercise in respect of any agreement to which the Equipment is subject all rights, privileges and remedies in said agreements or by applicable law permitted or provided to be exercised by the Company, including without limitation the collection of rent, and may exercise all such rights and remedies either in his name or in the name of the Company for his use and benefit, including without limitation, delivery of instructions to any lessee of the Equipment to pay all rental with respect thereto to ALS.

(f) Without limiting the foregoing subsection (c), ALS may sell all rental payments in respect of the Equipment, and all of his right, title and interest as assignee thereof, at public auction to the highest bidder and either for cash or on credit, ALS to give the Company ten days' prior written notice of the time and place of holding any such sale, and provided always that ALS shall also comply with any applicable mandatory legal requirements in connection with such sale.

Any sale or sales pursuant to the provisions hereof, or pursuant to any legal proceedings, shall operate to divest the Company of all right, title, interest, claim and demand whatsoever, either at law or in equity, of, in and to the items so sold, and shall be free and clear of any and all rights of redemption by, through or under the Company, the Company hereby covenanting and agreeing that it will not at any time insist upon or plead, or take the benefit or advantage of or from, any law now or hereafter in force providing for a valuation or appraisement of the Collateral, or any part thereof, prior to any sale or sales thereof or providing for any right to redeem the Collateral, or any part thereof. The receipt of purchase money or other consideration by ALS, or by any person authorized under any judicial proceeding to make any such sale, shall be a sufficient discharge to any purchaser of the Collateral, or of any part thereof, sold as aforesaid; and no such purchaser shall be bound to see to the application of such purchase money, or be bound to inquire as to the authorization, necessity or propriety of any such sale.

Any notification required by law of intended disposition by ALS of any of the Collateral shall be deemed reasonably and properly given if given at least ten days before such disposition. Any proceeds of the Collateral may be applied by ALS to the payment of any expenses incurred in connection with the Collateral and herewith (including, without limitation, attorneys' fees and legal expenses) and any balance of such

proceeds may be applied toward the payment of the Note and in such order of application, as ALS may from time to time determine; and the Company shall continue obligated for all amounts remaining unpaid after any such application. If proceeds of the collateral pay all of the above items, leaving a surplus, the surplus shall go to the Company.

(5) MISCELLANEOUS. ALS does not assume any obligation or liability to any lessee, purchaser or other person (except to the Company as herein expressly set forth) with respect to the Collateral, and any such assumption is hereby expressly disclaimed. ALS shall be deemed to have exercised reasonable care in the custody and preservation of any of the Collateral in his possession if he takes such action for that purpose as the Company requests in writing, but failure of ALS to comply with any such request shall not in itself be deemed a failure to exercise reasonable care, and no failure of ALS to preserve or protect any rights with respect to any Collateral against prior parties, or to do any act with respect to the preservation of any Collateral not so requested by the Company, shall be deemed a failure to exercise reasonable care in the custody or preservation of such Collateral.

Any notice or other communication hereunder to either party shall be in writing and delivered or mailed to it at its address as set forth in the first paragraph of this Agreement; provided that either party may by notice to the other designate a changed address for such party.

No failure or delay on the part of ALS in the exercise of any right or remedy hereunder or under any other instrument or otherwise shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or remedy preclude other or further exercise thereof or the exercise of any other right or remedy.

The various headings in this Agreement are inserted for convenience only and shall not affect the meaning or interpretation of this Agreement or any provision hereof.

Wherever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if, for any reason whatsoever, any one or more of the provisions of this Agreement shall be held or deemed to be inoperative, unenforceable or invalid as applied to any particular case or cases in any particular jurisdiction or jurisdictions or in all jurisdictions or in all cases, such circumstance shall not have the effect of rendering such

provision inoperative, unenforceable or invalid in any other jurisdiction or in any other case or of rendering any of the other provisions of this Agreement inoperative, unenforceable or invalid.

This Agreement shall be a contract made under and governed by the internal laws of the State of Michigan.

This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

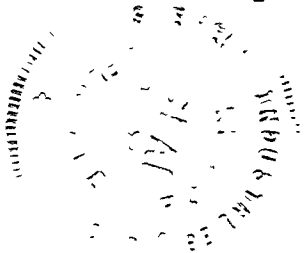
This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, and all of which shall together constitute but one and the same instrument.

IN WITNESS WHEREOF, this Agreement has been duly executed as of the day and year first above written.

CRYSTAL HOPPER ASSOCIATES

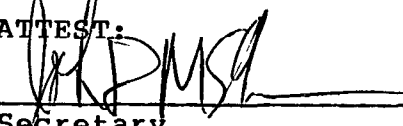
By: Stevens Industries, Inc.,
General Partner

By: 
Allen L. Stevens, President



(Corporate Seal)

ATTEST:


Secretary


ALLEN L. STEVENS

STATE OF CONNECTICUT

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ss.

COUNTY OF FAIRFIELD

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The foregoing Security Agreement was acknowledged before me this 11th day of October, 1989, by Allen L. Stevens as President of Stevens Industries, Inc., as General Partner of Crystal Hopper Associates.

Witness my hand and official seal.


Notary Public

My Commission Expires March 31, 1994

My commission expires:

New Canaan

SCHEDULE I TO SECURITY AGREEMENT

Description of Equipment

49 XM box cars, PS Lot 1043-B, manufactured by Pullman Incorporated, bearing the following reporting marks and car numbers:

<u>Quantity</u>	<u>Reporting Marks</u>	<u>Car Numbers</u>
49	QC	76550 thru 76598